

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

SPECIAL STUDY SESSION

June 27, 2002

The Board of Supervisors of Maricopa County, Arizona convened in Special Study Session at 9:00 A.M., June 27, 2002, in the Board of Supervisors' Conference Room, Tenth Floor, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Andy Kunasek, Max W. Wilson, and Mary Rose Wilcox. Hospital and Health Systems Board members present included Don Stapley, Mary Rose Wilcox, Bill Bruno, Cliff Klima, Frank Nageotte, Kenneth Johnson, Sarah Withgott, Chuck Shipley (entered late), Mark Hillard, ex-officio. Absent: Diana Herrera, Merwin Grant and Marci Hillard, ex-officio. Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney. Votes of the members will be recorded as follows: (aye-no-absent-abstain)

PLEDGE OF ALLEGIANCE

Chairman Stapley asked Supervisor Kunasek to lead the audience in the Pledge of Allegiance.

WELCOME BY THE CHAIRMAN

Chairman Stapley noted that all members of the Board of Supervisors were present and that a quorum was also present from the Hospital and Health Systems Board. He welcomed those members to the joint meeting and thanked them for making the effort to attend. He expressed his hope that by bringing the two bodies together much would be accomplished towards communication and cooperation at this critical time in the County's healthcare system.

HOSPITAL AND HEALTH SYSTEMS BOARD APPOINTMENT OF MARK HILLARD

Motion was made by Director Nageotte, seconded by Director Withgott and carried by a unanimous vote (7-0-3) of Hospital and Health Systems Board Members present, with Directors Stapley, Wilcox, Bruno, Clymer, Nageotte, Johnson and Withgott voting "aye," to appoint Mark Hillard as Director of Maricopa Integrated Health Systems in accordance with Hospital Board By-Laws, Article III. (ADM2100)

BOARD OF SUPERVISORS CONSENT TO THE APPOINTMENT OF MARK HILLARD

Motion was made by Supervisor Wilcox, seconded by Supervisor Kunasek, and unanimously carried (5-0) to consent to the appointment of Mark Hillard as Director of Maricopa Integrated Health Systems by the Hospital and Health Systems Board, in accordance with Hospital Board By-Laws, Article III. (ADM2100)

Mr. Hillard thanked the members of the dual boards for their vote of confidence and vowed to do everything possible to confirm their trust in his ability to lead the Maricopa Integrated Healthcare System back into positive financial circumstances again. He pledged his cooperation in working closely with County management in initiating and executing the necessary reforms and policy changes.

Chairman Stapley congratulated Mr. Hillard, remarking on the importance of his undertaking. He made reference to comments supporting the function and ideals of the Maricopa Integrated Health System made by Jim Braley at the Supervisor's open meeting on June 26. Mr. Braley is the president of Cambio/Quorum, the company that managed MIHS for the past six years and Mr. Hillard's former employer. The Chairman reported that Mr. Braley had thanked the Supervisors and the management team and staff of MIHS for their help and cooperation during their association, and had complimented all on the progress made during those rough times in a tough industry. Chairman Stapley said he had been particularly affected by Mr. Braley's appeal to the Board to persevere in their difficult task and not to give

up on the healthcare system just because it had experienced financial reversals even as they extend into the future, because it makes a vital contribution to the wellbeing of the County.

POINT OF PERSONAL PRIVILEGE

Supervisor Brock asked that the members of the Hospital Board who were present be introduced to the rest of the Supervisors and those in attendance, and this was done.

MARICOPA INTEGRATED HEALTH SYSTEM (MIHS) CASH BALANCE POSITION AND MIHS BUDGET TO OMB'S ADJUSTED RECOMMENDED BUDGET FOR MIHS

A presentation was made by Sandi Wilson, Deputy County Administrator, who said that the Office of Management and Budget (OMB) had been following the cash flow of Maricopa Integrated Health System (MIHS) through the years but had recently determined that the process should have more intense scrutiny and tracking. She turned the presentation over to Tom Manos for an overview of the MIHS cash flow and cash balance. (C49020588) (ADM2100) (ADM2100)

Mr. Manos, Chief Financial Officer, distributed a report that documented the trend of the system's daily cash flow for the past two weeks. He said the weekly report is drawn on Fridays and circulated to several departments. He also commented on the documented decline from a high cash balance of \$80 million two years ago to the recent \$25 million balance. In response to a question from Chairman Stapley, Mr. Manos said the CIP (Capital Improvement Program) spend-down accounted for approximately half of the difference, with the remaining half made up of an escalating accounts receivable and the continued overall unprofitability of the system. He explained that available cash balances fluctuate widely from day to day rendering the daily chart misleading. He indicated that the graph showing the average daily cash flow for each month since July 2000 illustrated last month's slightly improved numbers more clearly.

Ms. Wilson said that OMB has had to change the way they look at the MIHS budget. It used to be reported on a full accrual basis, but they have decided to change the reporting over to a cash perspective. She indicated that by taking out depreciation and inserting cash capital spending, the deficit dropped from \$4.3 million to \$648,000. In addition, this reporting change made the state's budget impact a positive one of \$1.1 million. Because of these changes, MIHS now has a positive net bottom line of \$491,000 for 2002/2003. She indicated that they plan to continue with this perception of the budget.

Discussion ensued on Disproportionate Share funds ("dispro" funds) which Maricopa County maintains is not apportioned appropriately by the state. These are federal funds designated for county indigent healthcare reimbursement that, in Arizona, go to the state government for distribution to the counties. Chairman Stapley reminded the Board that a measure enacted in 1992 (when the state was in financial difficulty and the County voted to accept a reduction of dispro funds to help them out) was never reversed, although reversal was promised the County by no later than 1994. However, the promise was lost in the change of administration in 1994 and the measure has never been corrected. Maricopa is the only county in the state to be affected by that measure. There is no dispute that all other Arizona counties, except Maricopa, get their proper share of the dispro monies.

Mark Hillard said that MIHS is the only hospital of its size in the country that does not have a dedicated taxation source and/or an appropriate amount of dispro monies. He claimed that Parkland Memorial in Dallas is a public hospital exactly like MIHS and they receive well over \$1 million a year in tax monies and another million dollars in disproportionate share monies. The greater percentage of county hospitals receives their dispro monies directly from the federal government rather than from state dispensation.

**SPECIAL STUDY SESSION
June 27, 2002**

Mr. Hillard said that if MIHS got a fair share of dispro and tax monies, a share equivalent to what other public hospitals receive, he would have MIHS running in the black and have money left over to constantly stay abreast of the latest and greatest technologies as well as the timely replacement of facilities. He maintained that the inconsistency and constant lack of funds reveal difference a dedicated staff and physician base make in keeping the hospital running effectively.

Mr. Hillard presented a flow chart of 2002 disproportionate fund distributions in Arizona and said that this inequitable and discriminatory process is not what the federal government intended. He believes it is only a matter of time before Arizona is investigated for this. Three other states are already under investigation.

Chairman Stapley said he worried that if this formula is addressed to increase the dispro share that the sales tax percentage would be cut and consequential other sources of revenue would suffer. He believed that the total monies received by Maricopa County from the state would be comparable, regardless of the designated source. Sandi Wilson said that a sales tax formula change would present a huge consequence since the sales tax comprises the largest portion of the revenue stream for the County. She indicated that receiving a \$60 million reduction would cause dramatic cutbacks in the criminal justice system. She advised caution.

Supervisor Brock said that Maricopa is the only county in the state without a direct sales-tax privilege and he questioned the legality of that. He said that losing the dispro share dollars has kept the County from planning for capital projects to benefit the hospital and has resulted in the current financial problems being experienced.

INCREASE IN THE HEALTH CARE MANDATES GENERAL FUND EXPENDITURE APPROPRIATION

Ms. McCarroll, the Clerk of the Board, stated that the words "not-to-exceed" should be inserted in the following request immediately preceding the \$9 million figure. (Amendment noted in caps.) (C49020598)

Fund Transfer to MIHS Not-To-Exceed \$9,008,200

Item a: An increase in the Health Care Mandates General Fund (Agency 390/Fund 100) expenditure appropriation and the Maricopa Medical Center – Hospital Fund revenue budget of NOT-TO-EXCEED \$9,008,200 (offset by increases in eliminations), and authorize a fund transfer from the General Fund to the Hospital fund in this amount. The fund transfer is necessary to cover the expendable fund balance deficit in the Hospital Fund as of June 30, 2001. (ADM2200)

Fund Transfer to MIHS Not-To-Exceed \$5,0008,000

Item b: An increase in the Health Care Mandates – General Fund (Agency 390/Fund 100) expenditure appropriation and the Maricopa Medical Center – Hospital Fund revenue budget of not-to-exceed \$5,000,000 (offset by increases in eliminations), and authorize a fund transfer from the General Fund to the Hospital Fund at the close of the fiscal year. The fund transfer is necessary to cover the projected expendable fund balance deficit in the Hospital Fund as of June 30, 2002. (ADM2200)

In his presentation, Chris Bradley, Budget Manager, said that if the healthcare balance slips into the red it could have a major impact on the County's general fund. Because of this significant concern the other issues impacting the general fund must be monitored and balanced against the MIHS fluctuations. During

**SPECIAL STUDY SESSION
June 27, 2002**

the past year(s) of decline in the MIHS cash position, the increase in capital spending and what has happened with accounts receivable at MIHS, it was determined necessary to “construct a new benchmark to use for budgetary purposes.” Mr. Bradley said that OMB found it necessary to establish a point at which the County general fund needs to do a cash transfer into the Healthcare System to keep it solvent and to keep from overstating the actual balance in the general fund. He likened it to the difference between governmental accounting, where you look at how much cash is available to allocate for legal purposes, versus business accounting, where the value of fixed assets of the business is counted. The new benchmark is called the “Expendable Fund Balance” (EFB). The formula for calculating the EFB is: current assets, less current liabilities, less cash held for contractual obligations.

Supervisor Brock asked about the \$9 million deficit listed in the handout (Maricopa Integrated Health System Fund Balances and Impact on the General Fund report) under Net Expendable Fund Balance. He said it is reflected under the MIHS Capital Outlay portion (page 6), and quoted, “there was not enough cash in the MIHS funds to support all the capital expenditures, the result was that MIHS borrowed the \$9 million from the general fund to support it’s capital outlay without Board approval.” He asked if that was without the approval of the Hospital Board or the Board of Supervisors.

Mr. Bradley said he had referred to the Board of Supervisors, from a budgetary standpoint for the County.

Supervisor Brock then asked how it was possible for “money to flow over there (MIHS) if the Board is supposed to vote on it.”

Mr. Bradley said he wasn’t accusing anyone of wrongdoing but was merely demonstrating that if the benchmark had been developed and in place at that time it could not have happened. He also explained that since March 31, the deficit had been lessened from \$9 million to a little under \$7 million. This \$2 million improvement was largely due to a slowdown in capital spending and an increased effort to collect outstanding accounts receivable. It is hoped that the deficit will continue to improve under the new policies that are being instigated. Mr. Bradley explained that this is why the agenda had been amended to read “not to exceed” the \$9 million figure requested, in addition to the \$5 million ‘not to exceed’ expected to be needed at year-end closing. He indicated that the budgetary results are not all in and tabulated for the current fiscal year and won’t be completed until after the end of this fiscal year at midnight on June 30, 2002. It was thought that the bottom line deficit for MIHS should be between \$6 and \$9 million.

Chairman Stapley commented that this request was designed to address the MIHS budget deficit with appropriate fund transfers rather than loans, and that the amount would be determined after the final reconciliation later in the summer. He said he felt this plan made good sense under the circumstances.

Motion was made by Supervisor Wilcox, seconded by Supervisor Kunasek, and unanimously carried (5-0) to authorize the fund transfers as requested in items a (as amended) and b above.

Supervisor Brock asked about additional fund subsidies that would be budgeted for the Integrated Healthcare System in the final adopted 2002-03 budget, depending on the size of the operating loss, if any (#5 under Recommendations on page 7 of the June 2002 handout). He quoted as follows: “An additional amount should be designated within the general fund beginning balance for fiscal year 2002-03 to cover potential worse-case Integrated Health System operating losses of up to \$40 million.” He asked if it had been determined if this was still the appropriate amount to be set aside in reserved funds.

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**SPECIAL STUDY SESSION
June 27, 2002**

Mr. Bradley replied that these additional set-aside funds were included in their report under a later agenda item.

Chairman Stapley moved this item up for consideration at this time.

**MARICOPA INTEGRATED HEALTH SYSTEM (MIHS) RESERVES AND CONTINGENCIES INCLUDED
IN THE FY 2002-2003 TENTATIVE BUDGET**

Sandi Wilson responded to Supervisor Brock's earlier question by explaining that when the budget was adopted for the 2001-2002 fiscal year the projected base operating subsidy was \$13.1 million, and the projected actual FY 2001-02 total is \$24.9 million because of the \$9 million deficit differential. She indicated that in FY 2002-03 they are using the same projected base operating subsidy of \$13.1 million and have created two reserve funds to cover potential losses. One is for MIHS accounts receivable of \$13 million to cover potential write-downs; and a second reserve fund of \$40 million will be held for worst-case scenario losses. She added that she would still recommend \$40 million at this point in time. (ADM2100) (ADM1825)

There were no questions.

Chairman Stapley returned to the agenda items that had been skipped.

RESOLUTION REGARDING THE MIHS ABILITY TO PAY PROGRAM POLICY FOR 2002

Item: Adopt a Resolution regarding the Maricopa Integrated Health System ("MIHS") 2002 Ability To Pay Program Policy ("ATPP-2002"), pursuant to A.R.S. §§11-251(5) and 11-291, to supercede and replace MIHS' 1997 Ability To Pay Program ("ATPP-1997"), effective upon Board of Supervisors' approval. ATPP-2002 will use the annual Federal Poverty Level guidelines ("FPL") as one of its qualifying criteria. It will expand eligibility and require increased patient financial responsibility for services offered under ATPP-2002. (C9097053602) (ADM2201)

Mark Hillard, CEO MIHS, said that they want to expand the Ability To Pay Program, which was adopted by the Board years ago, and has received accolades from around the country for its ability to get uninsured patients to assume responsibility for a portion of their health care costs. It is based on a sliding fee-scale proportionate to individual income levels. He said that expanded registration of the program would make it available to more people and tie it back into the newly created eligibility role requirement in the plan that AHCCCS has adopted.

Mr. Walz, CFO MIHS, presented the MIHS proposal and explained that Proposition 204 had allowed an expansion of the County's role in discerning eligibility for everyone including foreign nationals. The Ability to Pay Program facilitates the process and allows the collection of a determined amount prior to treatment. He said it would apply to the out-clinics and the hospital but not to the emergency centers.

Discussion ensued, using a pre-natal patient as an example, and centered on procedure, quality of care, scheduling and a proposed, up-front prenatal fee to the patient of \$125. Prenatal fees are not covered by FES (Federal Emergency Services) but delivery costs would be covered by FES or AHCCCS. The child becomes an American citizen at birth and is thus eligible to join a healthcare plan for future coverage. MIHS plans to introduce all patients to their healthcare plan on a "go-forward" basis.

When asked about potential risks assumed by the hospital in prenatal care, Mr. Hillard replied that there would always be some risks but management had determined that most of the risks could be covered by the \$125 fee. He said, "If a patient is going to have a complicated delivery they will come to County anyway." He explained that MIHS has a reputation for handling some of the highest risk deliveries in the

County, and it would be beneficial to at least recover \$125 of the cost. No fee is currently being charged for prenatal services.

In response to a question on the burn center, Mr. Hillard said that most of these cases are emergencies. The hospital's best-payer results are from the burn and trauma centers because those two areas do not correlate the socio-economic condition of patients with account receivables.

Supervisor Brock asked what the typical federal government reimbursed amount would be for an uninsured patient. Mr. Hillard replied that it would depend on the source of admission. In a true emergency situation the FES will pay based on the AHCCCS fee schedule. The majority of FES fees received by MIHS are in the labor and delivery environment. Typical labor and delivery fees are approximately \$2,000 a day for the mother and \$1,900 a day for the mother and child following the delivery. The average length of stay is 1.7 days.

Clerk of the Board Fran McCarroll distributed a revised copy of the Policy and Procedures, which Mr. Walz said was revised to include a statement on people who are AHCCCS eligible but refuse to fill out the AHCCCS eligibility paperwork. They will be asked to pay \$200 plus full-bill charges as a means of encouraging them to fill out the paperwork.

Motion was made by Supervisor Wilcox, (who asked that this kind of AHCCCS admittance be monitored for rate of occurrence) seconded by Supervisor Wilson, and unanimously carried (5-0) to concur with the Hospital Board's recommendation to adopt the resolution, as revised. This resolution is effective upon Board approval.

RESOLUTION

ABILITY TO PAY PROGRAM POLICY FOR 2002

WHEREAS, the Maricopa County Board of Supervisors ("Board") provides for the care and maintenance of the sick in the County and maintains a hospital and other healthcare facilities for such purposes through the Maricopa Integrated Health System ("MIHS"), pursuant to A.R.S. §11-251 and 291, and

WHEREAS, over the past twelve years the Board adopted the three programs listed below which permitted a limited range of healthcare services to be provided to the uninsured residents of Maricopa County or those who lack a third party payer and who qualified according to the applicable Federal Poverty Guidelines ("FPL") and who agreed to be financially responsible for the services they received:

- 1990 Prenatal Care Program ("ATPP-1990") prenatal care to uninsured pregnant women at or below 185% of the then FPL (Board Agenda HS-90543)
- 1993 Ability to Pay Sliding Fee Scale Program ("ATPP-1993") uninsured patient responsibility for cost of care determined according to a sliding fee scale (Board Agenda HS-94120)
- 1997 MIHS Ability To Pay Program ("ATPP-1997") replaced ATPP-1990 and ATPP-1993, enhanced the definition of indigency, redefined eligibility, added additional patient financial responsibility and covered services to those who did not have a third-party payer (Board Agenda C90-97-053-6-01), and

**SPECIAL STUDY SESSION
June 27, 2002**

WHEREAS, the Board wishes to replace ATPP-1997 and supercede it with MIHS' 2002 Ability to Pay Program and Policy ("ATPP-2002") under which persons who are uninsured (i.e. persons who lack a third-party payer), who are not eligible for an AHCCCS health plan and who meet specific eligibility criteria will have access to a range of MIHS facility-based healthcare services (a limited range of professional services are included) and will be required to fulfill their financial responsibility for each service provided, prior to the service being rendered; thereby allowing MIHS to recoup, at a minimum, the costs of services provided under ATPP-2002, and

WHEREAS, a copy of ATPP-2002 is on file in the Clerk of the Board's Office and incorporated by reference herein.

NOW, THEREFORE, BE IT RESOLVED that the Maricopa County Board of Supervisors adopt the MIHS 2002 Ability to Pay Program and Policy effective the 27th day of June 2002.

/s/ Don Stapley, Chairman of the Board

ATTEST

/s/ Fran McCarroll, Clerk of the Board

RESOLUTION FOR DELEGATION OF AUTHORITY TO COMPROMISE MIHS CLAIMS FOR SERVICES OR DEBTS TO \$25,000

Item: Adopt a Resolution, which would delegate authority only to MIHS' Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to compromise MIHS claims for services provided or debts incurred, that are less than or equal to \$25,000 per claim or debt, and require that any such compromise receive the prior written approval of both the CEO and the CFO, and further require that the CEO, on a monthly basis, prepare a detailed list of all such compromises and attach such list to each MIHS Monthly Financial Statement, beginning June 2002. A similar resolution was approved by the Maricopa Hospital and Health System Board and its Finance Committee on March 14, 2002, and February 25, 2002, respectively. (C9002098M) (ADM2200)

Pat Walz said this method is used throughout the industry to negotiate quick-pay discounts and would save time, effort, money, collection fees, and be an asset to the County in various other ways. Anything written off pertaining to a legal matter, such as liens, garnishments, etc., would still go through outside counsel (currently this is Barbara Caldwell). The patient or insurance company would have to ask for a discount for fast payment, this wouldn't be advertised and would only apply if there was a date-certain for the payment to be received. There is a documented format for self-pay patients, including their last income tax statement, that would be followed to validate their income and grant a charity case discount.

Motion was made by Supervisor Wilson, seconded by Supervisor Kunasek, and unanimously carried (5-0) to adopt the following resolution delegating compromise claim signature authority up to \$25,000 to the MIHS CEO and CFO.

RESOLUTION

**DELEGATION OF AUTHORITY TO COMPROMISE MIHS CLAIMS
FOR SERVICES OR DEBTS TO \$25,000**

WHEREAS, the Maricopa County Board of Supervisors ("Board") provides for the care and maintenance of the sick in the County and maintains a hospital and other healthcare facilities for such purposes through the Maricopa Integrated Health System ("MIHS"), pursuant to A.R.S. §11-251, and

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

SPECIAL STUDY SESSION

June 27, 2002

WHEREAS, the Board pursuant to A.R.S. §36-183.01 has appointed the Maricopa Hospital and Health System Board ("Hospital Board") to manage, operate and perform such functions, and

WHEREAS, pursuant to A.R.S. §11-254.03(5), the Board wishes to delegate and empower the Hospital Board and its Chief Executive Officer with certain duties, powers and authority, as more fully set forth below.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors delegates authority only to the Chief Executive Officer and the Chief Financial Officer of the MIHS, pursuant to A.R.S. §11-254.03(5), to compromise claims for services provided or debts incurred, up to twenty-five thousand dollars (\$25,000) per claim or debt, and

BE IT FURTHER RESOLVED that each claim or debt compromised pursuant to the authority granted by this Resolution must be approved in writing by both the Chief Executive Officer and the Chief Financial Officer of the MIHS, and

BE IT FURTHER RESOLVED that the Chief Executive Officer of the MIHS provide, on a monthly basis, a detailed list of each claim or debt that was compromised pursuant to the authority granted by this Resolution, and that such list be included as a separate attachment to each MIHS Monthly Financial Statement, beginning in June 2002.

DATED this 27th day of June 2002.

/s/ Don Stapley, Chairman of the Board

ATTEST

/s/ Fran McCarroll, Clerk of the Board

MARICOPA INTEGRATED HEALTH SYSTEM, MARICOPA HEALTH SYSTEM – PRESENTATION OF RESULTS INITIATIVE REQUESTS (RIRS) FOR FUNDING IN THE FY 2002-2003 BUDGET.

- a. Multilingual Pay Differential (ADM2100)
- b. East Valley Dialysis (ADM2100)
- c. Family Health Center Closure (ADM2100)
- d. Obstetrics Expansion (ADM2100)

Mr. Walz said that because of timing issues OMB has recommended that these items be tabled at this time because there is not enough information to make a determination and they would be brought back individually at a later time. However, he asked to provide a brief overview before both boards at this time for later reference by members. (C90027728)

Sandi Wilson agreed with this saying that it would be a benefit to have an idea of the issues involved in these requests. She said that these four matters can be brought back to the Board of Supervisors for action after there has been time to do further research.

Aspects of Multilingual Pay Differential:

Supervisor Wilcox said she felt that the question of multilingual pay differential was most important to consider quickly because a major portion of the population that frequents MIHS as patients speak English inadequately if at all. She maintained that if communication between staff and patient is not facilitated

**SPECIAL STUDY SESSION
June 27, 2002**

from the time ability to pay is determined to the time check-out medication schedules are explained it is inefficient and costly in both time and number of errors made.

Mark Hillard explained that the County's multi-lingual pay differential was set at 30 cents an hour, or \$24 a pay period, several years ago. He said that patients at the family centers and the hospital average around 70% Hispanic now – a growth from 50% two years ago – and the number continues to rise making the ability to communicate effectively between staff and patients an escalating concern. He said that an increase of \$24 a pay period for all MIHS employees who use their bilingual abilities would put an additional strain on their budget troubles to the extent of necessitating a general fund subsidy. He proposed a modification to the County's existing policy for MIHS. MIHS already has an excellent program in place to teach bilingual medical terminology and he requested that any MIHS employee receiving the bilingual pay differential be required to graduate from that program.

Supervisor Wilson said that unfortunately the County only has so much money to allocate to keeping the hospital open. He stated that there are other County departments with needs that are also substantial and important and said it is necessary to prioritize all of these needs with dollars being budgeted. He said, "If we give the extra money to MIHS we have to take it from someplace else and this worries me." He asked for more information and a better breakdown.

Supervisor Wilcox spoke in strong support of approving the MIHS requests on this matter as soon as possible.

Aspects of East Valley Dialysis:

There is no dialysis service in the East Valley and MIHS contends that installing a unit at Desert Vista would not only benefit the community but also benefit the budget by providing the service locally instead of purchasing dialysis services for health plan members at elevated retail costs elsewhere. OMB questions the proposal and needs to study specifics before making a recommendation.

Aspects of Family Health Center Closure:

Mr. Walz said they had studied the question of closing centers and the resulting impact on patient member numbers very carefully. Currently the Family Health Clinic system, as a whole, is losing money and it would take extensive capital investment to continue operation at the current level. The Supervisors asked for a list of which Centers make money and which are struggling. Mr. Hillard said he could provide this but it is very subjective and complex and the centers don't always get their proper allocations of funds because of the way accounting is set up. He said that four of the thirteen centers made a profit last month the way allocations are set up at this time.

Aspects of Obstetrics Expansion:

Expansion of the Obstetrics Ward, one of the moneymakers at the hospital, is requested because of the increase in deliveries (now averaging 18-20 deliveries a day) and the anticipated increase in requests for neonatal intensive care service. MIHS maintains that the increased volume would lessen the hospital's incursions on the general fund monies, saving the County money. OMB needs to analyze breakdowns of capital expenditure, increased wages, monthly requirements, performance data and estimates and have more detail with regards to a needs analysis before making a recommendation.

SPECIAL STUDY SESSION

June 27, 2002

Bill Bruno said he had concerns about the profitability of expanding the obstetrics unit when risk is factored into it. He said the whole question of obstetrics and whether it really is making money or not is something he would like to learn more about.

Chairman Stapley asked if it would be possible to do a detailed cost analysis of the OB (Obstetrics) department. Mr. Hillard responded affirmatively and requested that the risk issue be discussed more fully in an executive session. He said that every department of a hospital has a certain amount of risk, including obstetrics. He said that regardless of risk, OB is still one of, if not the most, profitable cost center for MIHS. He advised that the future of MIHS will be in women's and children's concerns because that's where the healthplan membership is the heaviest.

Presentation to both Boards.

MIHS RISK ASSESSMENT BY DELOITTE CONSULTING

Leo Kessler, director with Deloitte Consulting, a provider of financial services to Maricopa County for the past seven years, commented that he spends 100% of his time helping hospitals and payers do financial and capital planning. He said he was asked to review the fiscal year 2003 budget from a perspective of identifying possible risk areas which he termed "budget stressors" that might be avoided with foresight. He said the dollar amounts given in his handout represent projected budget numbers and some alternative assumptions based on industry trends and MIHS historical trends. He indicated that he'd had limited interaction with MIHS management in completing this budget review. His goal was to provide some specific assumptions, and the bottom line perspective if these assumptions are not met. He handed out a booklet illustrating his presentation and highlighted certain items starting on page 9. In most instances he gave a halfway impact point between the 2002 estimated and 2003 projections as an alternative figure. He said the assumptions are applied singly and do not impact others in this study. He explained the differences in Deloitte's figures and the budget projections by OMB and said he was not judging the efficacy of the projected budget but identifying potential trouble areas that could develop and that should be closely watched. (C49020618) (ADM2100) (ADM1825)

Supervisor Brock said the Board realizes that Deloitte looks at such matters at a national level and asked if the \$30 million cash in the system at the end of May 2002 (down from the \$80 million two years ago) was enough backup to have as a contingency capital baseline to maintain a stable operation.

Mr. Kessler replied, "\$30 million net of what is restricted for debt coverage is a very slim margin in today's industry." He said that Medicare and Medicaid payers could change the hospital's reimbursement policies and procedures any time they wanted, and with no warning. Or there could be a significant change in the incidence and prevalence of a disease category which could not be regulated or paid for. He said, "The capital that is on the books with the hospital is very, very thin. A typical A-rated hospital has cash on hand

for 140 days, and you're nowhere near that." He said he understands that this is one of the reasons OMB set aside the contingency funds they reported earlier.

Pat Walz cautioned that a comparison between private and public sector hospitals needs to take into consideration disproportionate share funds that were, or were not, received by each. All agreed with this.

Discussion ensued on best and worst case scenario estimates on the 2003 and 2004 budgets with Mr. Kessler stating that he had not estimated any budget outcomes for future budgets past 2003.

Presentation and Discussion

RESULTS OF THE CITIZEN SURVEY ON THE MARICOPA INTEGRATED HEALTH SYSTEM

Ken Anderson handed out a copy of his report on the recent general population satisfaction survey with regards to citizen perception of MIHS. He said it was a scientific survey to find out what the average adult in the County knew about and felt about the County's role in providing health services to citizens. The report contains 792 completed interviews that are accurate to within a plus or minus 3.5%. He noted that one surprising thing they had found in this survey that is different from most, is that there is very little variation in people's knowledge and perception regardless of any of the usual identifiable demographic variables (age, education, income, etc.). He reported on the various questions and percentages found in respondent answers to their subject questions. He noted that placing the questions in a different order could result in different responses and a different result. (NOTE: In the following "ballpark" synthesis, a "no answer" or "don't know" is counted as a negative response while "other" is counted as a positive response – variables that can skew the results. This report is on file in the Clerk's Office.) (ADM2100) (ADM1825)

Knowledge of the County's role in providing healthcare?	29% positive; 71% negative
Rating of the County relative to health Care?	49% positive; 51% negative
Desired role of the County in providing healthcare (bigger role?)	74% positive; 26% negative
General satisfaction with County healthcare?	43% positive; 57% negative
Major function or role of the County health system (serve poor)?	56% positive; 44% negative
Impact if current facilities no longer available?	16% positive; 84% negative
The County health system provides a valuable service?	89% positive; 11% negative
County has a responsibility to provide care to indigent?	82% positive; 18% negative
Sales taxes should be used to support County health system?	74% positive; 26% negative
Property taxes should be used to support County health system?	55% positive; 45% negative
Likelihood of your support on bond election for MIHS funding?	71% positive; 29% negative

Supervisor Brock remarked that this was interesting and helpful but it showed how badly the public needs to be educated on the subject. He also felt that the components of what the Health Department does is also important to this area of government and it is not covered in the questions. He said that whatever is done to educate the public and to transfer this information to the legislature would be greatly beneficial to the County's effectiveness in providing the kind of healthcare in the future that residents want.

Presentation Only

COUNTY ADMINISTRATIVE OFFICER'S NEXT STEPS FOR MIHS

David Smith said that beginning July 1, 2002, the County is moving towards a new evolution in managing MIHS. A County-staffed management team has been hired, policy changes are being made, and financial management changes are being implemented in the search for a positive "fruition of some of the \$80 million of capital that has gone into the system over the past several years." Mr. Smith stressed that there is a commitment to excellence included in the management plan for each of the MIHS key officers and said that the need to maintain the very highest standards of management in the operation of the healthcare system was made clear to each one. He explained that, unlike some of the recent examples of financial irresponsibility in the business world, i.e., ENRON and WorldCom, County management is

**SPECIAL STUDY SESSION
June 27, 2002**

taking measures to not only know audited results but also know "what horrible things might possibly happen and then take steps to make sure they don't happen." (ADM2100) (ADM1825)

Mr. Smith said that it could be argued that the hospital does not have a spending problem but it does have a revenue problem that will continue to be a focus of study for the combined Boards. He explained, "As we maintain a certain level of excellence we need to engage the public interest and support, and what we have done today is simply the opening round of educating the populace." He mentioned various options that need to be studied, such as the various forms of a hospital district and the possibility of a bond issue and/or borrowing for capital purposes.

He reiterated, "It's time for the public to render some kind of opinion about the role they want us to carry on. June 30, 2003, marks the end of any formal mandate by the State towards the County and the current provision of healthcare disappears at that time." He said that the question remains, "rather than do something because the State orders us to by force of regulation or law, the collective Boards are in the position of making the decision of doing something because the public suggests that they do, or not do it, rather than the State Legislature." He explained that the future of long term need and the desired configuration of the healthcare system is the key question facing these two Boards as they go forward into 2003.

Chairman Stapley again thanked the Hospital Board members for their demonstration of commitment to the healthcare cause by attending this combined meeting. He said he is requesting all of the members of the Board of Supervisors to become engaged in this process in a more meaningful way and asked the three Supervisors not already on the Hospital Board, Supervisors Wilson, Kunasek and Brock, to volunteer to serve on one of two committees of the Hospital Board, those being the Strategic Planning Committee and the Finance Committee. He said he had no preference who served on which committee and asked each to let him know their preference.

Supervisor Brock also thanked the citizens volunteering to serve on the Hospital Board saying that healthcare is a very tough and complex subject and one that generates a tremendous amount of emotion as they carry out their tasks. He added that a county hospital, by its very nature, is not "a break-even system" and said the combined efforts of both boards can hope to bring it as close to one as possible. He mentioned several of the challenges that cause difficulties, i.e., lack of tax funding, lack of dispropor- tionate dollars, lack of knowledge on the part of the public, lack of interest by the Legislature and apathy from the media. He said that a better job of educating all the citizens of the County had to be done to overcome past mistakes and help in determining future action.

Supervisor Wilson remarked that some of the most complex problems are those with a simple solution, but it isn't always easy to find that solution. He said, "There are things that we could do to the system now, and there are things that we should have done to it in the past. Now, if there are areas that we need to shut down, shut them down. If there are areas we need to expand, then we need to expand those." He also touched on the subject of how little the public knows about the County and its programs, including the hospital. He related that he had conducted his own recent survey of constituents on what is known about the hospital with some surprising results. "Everybody knows about the burn center. They think that the burn center and poison control are two outstanding things that Maricopa County does. But, once we got past those, there weren't a whole lot of comments." He urged that a strong campaign to educate the public on the County be instigated.

Discussion Only

The Chairman declared a five-minute break at this time. The Hospital Board members left the meeting.

~ Supervisor Wilcox left the meeting ~

STRATEGIC OCCUPANCY PLAN ON CURRENT AND FUTURE DOWNTOWN SPACE NEEDS

Item: Presentation of the results to date of the downtown Phoenix space needs analysis known as the Strategic Occupancy Plan. Various strategic scenarios will be presented, along with the advantages, disadvantages and costs of each option. (ADM807)

Norm Hintz said this meeting would continue the conversation from last week's June 17th meeting on the six options being considered to satisfy the space needs of the County for the next five to ten years. He said that based on comments from the previous meeting they had reduced today's presentation to three options and will give additional detail on each of them, especially with regards to cost.

Bob Colletta, The Smith Group, said the remaining three options would be labeled "2" "3" and "5" and he handed out maps and information sheets for each of the three. He explained that option 2 would cover the new construction of a smaller administration building; option 3 is the purchase of the 101 building (Bank of America); Option 5 is to build the administration tower as originally designed for the Plaza de Maricopa. He said that the primary goal for all three of these options would include the development of additional courtroom space to fill an immediate need and to also free-up space now being used in the East Court Building for renovation and reassignment; to rid the County of the expense of leasing and renting outside office space; and to "get the most bang" for the current available capital. In all three scenarios the Public Defender would move into the Security Building over a period of phased timing. All three scenarios would also account for County Administration's future downtown occupancy needs for 10 years. He said that all the plans will eventually have the Sheriff's administrative functions moved from the currently leased space in the Wells Fargo building to a new facility at the Durango site.

Mr. Colletta said there were several "cons" that are common to all three options as well, i.e., none provide for the ten-year projected growth needed for the criminal court services as all give only a five-year growth projection in that area. There is no parking with the Public Defender's offices other than what is leased, due to its being apart from the core buildings, and the remoteness of that building from the core is also considered undesirable.

Mr. Colletta first detailed Option 2 and said one of the first tasks would be the construction of 12 new courtrooms in the Scottsdale area which would free-up space in the East Courts Building. The new Administration Building for Option 2 would be different from the one planned for the Plaza de Maricopa in that it would have much less square footage but would accommodate "current immediate needs and growth to five years, and then wait five years to build a second smaller administration building to pick up future growth." These buildings would be located on Jefferson between 5th and 7th Avenue to take advantage of the existing parking structures. After the move into that building the County Attorney would have the room to consolidate in the current Administration Building. The new Administration Building would have 265,000 square feet of useable space, comparable to the 101 North Building which has 318,000 useable footage. (The Plaza's tower had 730,000 useable.) He directed the Board's attention to the pro and con lists on each handout option. He said this option provides for the most need with the monies available. He said, it utilizes existing parking, it addresses courtroom needs – immediate and long term, it co-locates the Assessor,

SPECIAL STUDY SESSION

June 27, 2002

Recorder and Treasurer, it assembles public function areas in one location it eliminates the need for a shuttle service to transport staff to work from the parking garages.

Option 3 uses the existing Administration Building for the County Attorney in the same manner, but also entails the purchase of the 101 building. This would leave the Recorder, Treasurer and Assessor in their current locations. It does include building a new court building (as do all the options).

Chairman Stapley asked for a comparison of total cost between Option 2 and Option 3. Mr. Colletta said Option 3 would require an additional \$7-8 million to accomplish the same short-term goals and still entail a parking problem.

Option 5 looks at the original Plaza construction as previously designed. Mr. Colletta said that this would accomplish the same basic goals but it would cost enough additional money to require more than available funding. This could push the actual construction forward a couple of years, depending on how, where and when this additional financing is found and put in place. Waiting until 2006 – 2007 to begin construction would have the domino effect of delaying the acquisition of additional space needs for all departments and would also maintain the current high rent being paid for necessary office space for a longer-than-desired period. He did not recommend this option and said it is the least desirable of the three and is not practicable with the capital on hand.

Chairman Stapley asked for a recommendation between options 2 and 3. Mr. Colletta replied that they recommend Option 2. He explained that the Bank of America, 101 Building, is 25 years old and is not space efficient by today's standards. It's remoteness from parking and the other County buildings is problematic. He said that if the County would purchase the 101 Building they would also buy the parking that goes with it, which is insufficient for staff and provides little public parking. In addition, the parking the County has already built and paid for wouldn't be put to optimum use. Mr. Colletta said it could not be considered one-to-one space buying without adding-in the additional parking costs to the purchase cost of the 101 Building. In contrast, there are big advantages to having the parking already in place (in Option 2) and with the administration offices being adjacent or near to most of the other County buildings. But in particular, the ability to design a floorplate of much greater flexibility using today's standards is possible only in Option 2. This would be a 10-story building with a probable enlarged first floor to accommodate and facilitate public accessibility. Visitor parking would also be adjacent to this building.

Norm Hintz said Facilities Management wanted to present the alternative options and also to report on the due diligence on the 101 Building as instructed by the Board. The preliminary report is nearly completed and in two weeks they will have probable costs to remedy the defects found.

Supervisor Brock asked about a lease-purchase option in order to be able to build according to the County's real needs, such as the state is doing. He said he also believed it to be important to meet with the Finance Department to determine how each of these options could best be financed.

Mr. Hintz said the state was forced to do a lease-purchase over a 25-year period for three new buildings because the legislature would not provide any up-front money for their additional space needs. He reminded the Board that the County already has the funding in place to do either Option 2 or 3.

Chairman Stapley said he would like to expedite receipt of the final information needed to make a decision on the 101 Building so that if Option 2 is chosen the County can release the building early, regardless of the contract specifications, as a gesture of fairness to the sellers.

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**SPECIAL STUDY SESSION
June 27, 2002**

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

ATTEST:

Don Stapley, Chairman of the Board

Fran McCarroll, Clerk of the Board